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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte JOHN R. GRABSKI, III

Appeal 2008-1505
Application 10/054,086
Technology Center 3600

Decided: July 25, 2008

Before WILLIAM F. PATE, III, MURRIEL E. CRAWFORD, and JOHN C. KERINS, *Administrative Patent Judges*.

PATE, III, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF CASE

The Appellant appeals under 35 U.S.C. § 134 (2002) from a Final Rejection of claims 1-25. We have jurisdiction under 35 U.S.C. § 6(b) (2002).

The Appellant claims a system for determining a transaction cost of an item which accounts for supplier-related costs and any value-added

features that are supplied with the item (such as availability of electronic funds transfer or bar coding).

Representative independent claim 1 reads as follows:

> 1. A cost processing system for determining a transaction cost of an item, the system comprising:
> department logic to define one or more departments which produce cost-driving transactions;
> allocation logic to define an allocation of business expenditures attributable to each department;
> item logic to obtain a number of items transacted in each department; and
> cost logic to determine the transaction cost of the item in each of the departments transacting the item based on the allocation of business expenditures to each of the departments and the number of items transacted in each of the departments,
> wherein the department logic defines a department for transacting the item if the item is supplied with a value-added feature, and
> whereby determining the transaction cost of the item accounts for supplier-related costs.

In the Specification, the Appellant defines "logic" as including, but not limited to, "hardware, software and/or combinations of both to perform one or more functions, acts and/or events" (Spec. 3). Independent claim 11 is directed to a similar cost processing system and is drafted in a means plus function format. Independent claim 12 recites a method for determining a transaction cost of an item. Independent claim 19 recites a computer readable medium storing a program for determining a transaction cost of an item.

The prior art relied upon by the Examiner in rejecting the claims is:

1. Anthony et al., *Accounting: Text and Cases* 115-118, 531-534 and 612-616 (9th ed., 1995).

2. Avery, Susan, *MRO Purchasing Plays Roles in Reshaping the Distribution Channel*, 126 Purchasing 108 (May 20,1999).

3. Ellram, Lisa, *Total Cost of Ownership: Elements and Implementation*, International Journal of Purchasing and Materials Management 3-11 (Fall 1993).

The Examiner rejected claims 1-11, 20, 21 and 24 under 35 U.S.C. § 103(a) as unpatentable over Anthony, Avery and Ellram.

The Examiner also rejected claims 12-19, 22-23 and 25 under 35 U.S.C. § 103(a) as unpatentable over Anthony and Avery.

We AFFIRM.

ISSUES

The following issues have been raised in the present appeal.

1. Whether the Appellant has shown that the Examiner erred in rejecting claims 1-11, 20, 21 and 24 as unpatentable over Anthony, Avery and Ellram.

2. Whether the Appellant has shown that the Examiner erred in rejecting claims 12-19, 22-23 and 25 as unpatentable over Anthony and Avery.

FINDINGS OF FACT

The record supports the following findings of fact (FF) by a preponderance of the evidence.

1. Anthony discloses that it is common for organizations to use computer-based accounting systems for accounting (pp. 115-118). Anthony also discloses accounting methods for determining a cost of an item where business expenditures attributable to various cost centers (i.e., departments) are allocated accordingly thereby disclosing an allocation logic (pp. 531, 532, 612-615). In order to allocate the business expenditures, the departments which produce cost-driving transactions must be initially identified. Thus, Anthony inherently discloses a department logic that defines the departments. Anthony further discloses the importance of per unit costs which is the total cost divided by volume (number of units) (pp. 531, 532). The number of units is required for such analysis, and thus, an item logic is also inherently disclosed. Anthony further discloses the collection of all the costs incurred in the cost centers, and the allocation of these costs to the products accordingly (pp. 615, 616). Thus, Anthony discloses a cost logic for determining the transaction cost of the item in each of the departments transacting the item (pp. 615, 616).

2. Anthony does not specifically disclose that the department logic defines a department for transacting the item if the item is supplied with a value-added feature.

3. Anthony also does not specifically disclose that determining the transaction cost of the item accounts for supplier-related costs.

4. Avery discloses that in electronic commerce, wholesalers of products must explore value-added features such as electronic funds transfer with their customers (Examiner's annotated Sec. A).

5. Ellram discloses the importance of total cost analysis in purchasing so that all costs associated with a good or service are considered (p. 3). Ellram specifically discloses that total cost analysis includes determining the transaction cost of the item while accounting for supplier-related costs including non-price factors such as "transportation costs, receiving costs, quality costs (inspection, rework, reject costs), purchasing administrative expenses," "costs associated with preparing and placing the order (EDI, Fax, phone, and so on), following up on the order, receiving, matching receiving data to the invoice, and paying the bill" (pp. 4, 5 and 7). Ellram teaches that the total cost analysis can be used to compare suppliers and can aid in making supplier selection decisions because it provides complete cost data (p. 4).

PRINCIPLES OF LAW

"Section 103 forbids issuance of a patent when 'the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.'" *KSR Int'l Co. v. Teleflex Inc.*, 127 S.Ct. 1727, 1734 (2007). The question of obviousness is resolved on the basis of underlying factual determinations including (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the

prior art, (3) the level of skill in the art, and (4) where in evidence, so-called secondary considerations. *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966). In *KSR*, the Supreme Court also stated that "[t]he combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results." *KSR,* 127 S.Ct. at 1739. The Court also explained that design incentives and other market forces can prompt variations of the prior art and that "[i]f a person of ordinary skill can implement a predictable variation, §103 likely bars its patentability." *KSR,* 127 S.Ct. at 1740. The Court noted that "[t]o facilitate review, this analysis should be made explicit," but "the analysis need not seek out precise teachings directed to the specific subject matter of the challenged claim" *Id.* at 1741, citing *In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006).

The Federal Circuit has also held that:

> an implicit motivation to combine exists not only when a suggestion may be gleaned from the prior art as a whole, but when the "improvement" is technology-independent and the combination of references results in a product or process that is more desirable, for example because it is stronger, cheaper, cleaner, faster, lighter, smaller, more durable, or more efficient. Because the desire to enhance commercial opportunities by improving a product or process is universal - and even common-sensical - we have held that there exists in these situations a motivation to combine prior art references even absent any hint of suggestion in the references themselves. In such situations, the proper question is whether the ordinary artisan possesses knowledge and skills rendering him *capable* of combining the prior art references.

Dystar Textilfarben GmbH & Co. Deutschland KG v. C.H. Patrick Co., 464 F.3d 1356, 1368 (Fed. Cir. 2006).

ANALYSIS

Rejection of claims 1-11, 20, 21 and 24

The Examiner rejected these claims as unpatentable over Anthony, Avery and Ellram. Initially, we note that the Appellant argues independent claims 1 and 11 together as a group in the Appeal Brief (App. Br. 12). Hence, we select representative claim 1 to decide the appeal of these independent claims, claim 11 standing or falling with claim 1. *See* 37 C.F.R. § 41.37(c)(1)(vii) (2007).

The Examiner states that Anthony discloses most of the recited limitations of claim 1 except for a department being defined for an item supplied with a value-added feature, and that determining the transaction cost of the item accounts for supplier-related costs (Ans. 3-5; FF 1-3). The Examiner notes that Avery discloses an item supplied with a value-added feature (e.g., electronic funds transfer capability) (Ans. 4 and 5; FF 4). Furthermore, the Examiner notes that Ellram discloses determining the total cost of the item which accounts for supplier-related cost (Ans. 5; FF 5). Thus, the Examiner concludes that independent claim 1 would have been obvious to one of ordinary skill in view of Anthony, Avery and Ellram. We agree.

The Appellant initially argues that the Examiner has not provided any motivation for combining Anthony with Avery and that the Examiner is engaging in impermissible hindsight because Avery merely discusses that

value-added services may play a role in electronic commerce (App. Br. 13 and 14). However, we agree with the Examiner that the very definition of a value-added service is that it adds value to a product so that the desirability of providing such a value-added feature is implicit in Avery (Ans. 5 and 24). In addition, we find that one of ordinary skill in the art would have been motivated to implement the cost processing system of Anthony to accommodate items supplied with value-added features so that the cost processing system determines the true costs of the items more accurately and efficiently. *See Dystar Textilfarben*, 464 F.3d at 1368.

The Appellant also argues that Ellram fails to cure the deficiencies of Anthony and Avery in that Ellram fails to disclose or suggest any mechanism for defining a department for transacting an item if the item is supplied with a value-added feature (App. Br. 14). However, as noted by the Examiner, the combination of Anthony and Avery already discloses this limitation (Ans. 5). Ellram is relied upon for teaching that the total cost analysis determines the transaction cost of the item while accounting for supplier-related costs (i.e., identified non-price factors) as specifically recited in claim 1 (Ans. 5; FF 5). Moreover, Ellram teaches the desirability of determining total cost for the purpose of selecting suppliers, thereby providing one of ordinary skill in the art with the motivation for applying the teachings of Ellram to the combination of Anthony and Avery (Ans. 5; FF 5).

The Appellant further argues that the suggested combination of Anthony, Avery and Ellram still fails to disclose various recited limitations. However, the Appellant's argument is without merit because the suggested

combination does disclose all of the recited limitations of claim 1 (FF 1-5). Thus, we find that the Appellant has failed to show that the Examiner erred in rejecting independent claims 1 and 11 as unpatentable over Anthony, Avery and Ellram.

With respect to dependent claim 8, the Appellant contends that the portion of Anthony cited by the Examiner stating that the average cost per unit is the total cost divided by the volume fails to disclose the recited logic to sum the business expenditures allocated to each department or the recited logic to divide the sum by the number of items (App. Br. 15 and 16). However, the Appellant's argument is again without merit. The cost (i.e., the business expenditures) and the number of items are required to calculate the average cost per unit described in Anthony (FF 1). Moreover, Anthony also specifically teaches the collection of all the costs incurred in the cost centers and allocation of these costs to the products (FF 1). Thus, we agree with the Examiner that this limitation is disclosed by Anthony and conclude that the Appellant has not shown that Examiner erred in rejecting dependent claim 8.

With respect to dependent claim 20, the Appellant contends that the suggested combination of Anthony, Avery and Ellram fails to disclose the logic that defines a first department (for transacting the item if the item is supplied with the value-added feature) and a second department (for transacting the item if the item is supplied without the value-added feature) (App. Br. 16). We disagree. Anthony inherently discloses defining a department for transacting the item (FF 1). An item is either supplied with a value-added feature, or supplied without a value-added feature. As

discussed *supra* relative to claim 1, Avery was merely relied upon for disclosing an item supplied with a value-added feature (FF 1). Hence, claim 20 is inherently disclosed by the combination of Anthony and Ellram (without Avery) and is unpatentable. The fact that the combination of Anthony and Ellram does not explicitly state that the item is provided without a value-added feature is immaterial because, as noted, an item is necessarily supplied with a value-added feature, or supplied without a value-added feature. Thus, we find that the Appellant has not shown that the Examiner erred in rejecting dependent claim 20.

The Appellant further asserts that claims 2-10, 21 and 24 are patentable at least by the virtue of their dependency, as well as the additional features recited therein (App. Br. 15). However, with the exception of dependent claims 8 and 20 discussed *supra*, the Appellant does not present any separate arguments with respect to the limitations recited in these dependent claims. A statement which merely points out what a claim recites is not considered an argument for separate patentability of the claim. 37 C.F.R. 41.37(c)(1)(vii) (2007). A general allegation that the art does not teach any of the claim limitations is no more than merely pointing out the claim limitations. Thus, we also find that Appellant has failed to show that the Examiner erred in rejecting claims 2-10, 21 and 24.

Rejection of claims 12-19, 22-23 and 25

The Appellant merely refers to the arguments presented with respect to independent claims 1 and 11 in arguing the patentability of independent claims 12 and 19 (App. Br. 17). Thus, for same the reasons discussed *supra*

relative to claims 1 and 11, we find that the Appellant has failed to show that the Examiner erred in rejecting independent claims 12 and 19.

The Appellant also argues that claims 13-18, 22, 23 and 25 are patentable at least by the virtue of their dependency, as well as the additional features recited therein (App. Br. 17). However, the Appellant does not provide any separate arguments with respect to the limitations recited in these dependent claims. Thus, we find that the Appellant has failed to show that the Examiner erred in rejecting these dependent claims as well. 37 C.F.R. 41.37(c)(1)(vii) (2007).

CONCLUSIONS

1. The Appellant has not shown that the Examiner erred in rejecting claims 1-11, 20, 21 and 24 as unpatentable over Anthony, Avery and Ellram.

2. The Appellant has not shown that the Examiner erred in rejecting claims 12-19, 22-23 and 25 as unpatentable over Anthony and Avery.

ORDER

The Examiner's rejections of claims 1-25 are AFFIRMED.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a) (2007). *See* 37 C.F.R. § 1.136(a)(1)(iv) (2007).

AFFIRMED

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